

## DRAFT

### Final Report Outline

Section of Report	Drafting Assignments	Status (IP - In progress)
Cover	DOR	IP
Transmittal Letter	DOR for Bill's signature	IP
Acknowledgements	DOR	IP
Table of Contents	Committee/DOR	IP
List of Charts and Tables	DOR	
Summary	To be discussed later	

#### **I. Committee Charge**

Hugh Spitzer

Done

A review of the charges to the Committee and what we interpreted to be the boundaries of our inquiry.

#### **II. Tax Principles**

##### **A. Commonly Accepted Definitions**

Neil Bruce

IP

- i) elasticity/volatility/adequacy
- ii) equity/fairness
- iii) economic vitality/harmony with other states
- iv) economic neutrality/efficiency
- v) transparency/administrative simplicity
- vi) home ownership

##### **B. Interaction of Principles**

Neil Bruce

IP

How principles interact and examples

##### **C. Taxpayer Perceptions and Considerations**

Neil Bruce

IP

Explain taxpayer perceptions and basic considerations for a tax

### III. Current Washington State Tax Structure

Historical perspective—3 economies, voting, court decisions	Hugh	<u>Done</u>
Describe current system at macro	DOR	<u>Done</u>
Intro paragraph to local government	Hugh	<u>Done</u>
Local tax revenue at macro level	DOR	
Comparisons with other states	DOR	

### IV. Evaluation of Current Washington Tax Structure

Intro on how we did the analysis	DOR	<u>Done</u>
Analysis of entire tax system with respect to each principle including how each tax affects each principle	DOR	<u>Done</u>
Committee's list of problems that should be addressed	Comm.	<u>Done</u>
Criteria for choosing options and changes	Neil Bruce	

### V. Principal Constraints

#### Basic Considerations

(Some fundamental limitations on choices for a legislature)

#### A. Legal

Federal constraints such as interstate commerce, equal protection	DOR/Hugh
State constitutional limits such as uniformity	DOR/Hugh
Income tax	
Property tax	

#### B. Local Government Funding Constraints

Hugh

Bonds tied to tax revenue (impairment)

#### C. Practical

DOR

Too hard to collect or value: intangible property/personal property  
Induces bizarre behavior: business inventory

## **VI. Major Replacement Recommendations**

### **A. VAT Taxes**

- General description and mechanics
- Michigan model
- New Hampshire model
- Problems
- What would work best

Neil Bruce  
John Beck

### **B. Income Taxes**

- Introduction—explain prior proposals  
exportability issue
- Other states—overview, structure of tax, yields
- Individual income taxes
  - Flat rate—mechanics, examples, pros/cons
  - Graduated—mechanics, examples, pros/cons
- Corporate income tax—mechanics, examples, pros/cons
- Other issues to be considered—constitutional

Lily Kahng  
Debbe Sanders

Hugh Spitzer

### **C. Evaluation of Replacement Alternatives with Respect to Tax Principles**

- Matrix

Committee

## **VII. Adjustment Recommendations**

### **A. Adjustment Alternatives**

Describe each adjustment, mechanics, pros/cons, yield

### **B. Evaluation of Adjustments with Respect to Tax Principles**

- Matrix

## **VIII. Recommended Packages**

Several packages that include:

- Description of the package, the theme, and rationale
- Description of the package elements, both major and incremental tax changes
- Evaluation of each alternative package: how does the alternative package measure up with respect to the tax principles it is designed to address?
- Revenue impact
- Description of administration consequences and other implications

## **IX. Other Considerations**

- |                    |                   |
|--------------------|-------------------|
| A. Rainy day fund  | Hugh/ Dick Conway |
| B. Exemptions      | Jim McIntire      |
| C. Internet sales  | DOR               |
| D. User fees       | Hugh Spitzer      |
| E. Dedicated taxes | Bill Gates        |

## **X. Appendices**

DOR

- A. Study statute
- B. Description of methodology
- C. Details of analysis
- D. Minutes
- E. Previous tax studies ( required in statute)
- F. Tax reform efforts from other states
- G. Alternatives that have been rejected (if the Committee rejects any)
- H. Advisory Group comments
- I. Text of Competitiveness Council recommendations and directions to WTS Committee
- J. Bibliography (including other states' tax studies)